

Message Text

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ACTION EUR-12

INFO OCT-01 EA-07 ISO-00 AID-05 CIAE-00 COME-00 EB-07

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E.O. 11652: N/A

TAGS: EFIN, IT

SUBJECT: RECENT GOI FOREIGN EXCHANGE MEASURES

A. ROME 2997, B. 75 ROME 12303

1. SUMMARY DETAILS OF RECENTLY ANNOUNCED GOI FOREIGN EXCHANGE MEASURES FOLLOW (HIGHLIGHTS OF THESE MEASURES CONTAINED REFTEL A). END SUMMARY.

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2. FOREIGN EXCHANGE MARKET MEASURES. TREASURY MINISTER COLOMBO ANNOUNCED FEBRUARY 24 THAT BEGINNING MARCH 1 THE

BANK OF ITALY'S EXCHANGE OFFICE (UIC): (1) WOULD AGAIN PUBLISH OFFICIAL EXCHANGE RATES FOR THE LIRA, AND (2) WOULD RECOMMENCE OFFICIAL INTERVENTION IN SUPPORT OF THE LIRE BUT MORE "ELASTICALLY" THAN IN THE PAST. PRESS REACTION TO THESE MEASURES WAS INITIALLY FAVORABLE AND THE LIRA STRENGTHENED CONSIDERABLY IN FOREIGN EXCHANGE MARKETS IN FIRST FOUR DAYS AFTER ANNOUNCEMENT.

3. FOREIGN EXCHANGE ACCOUNTS FOR ITALIAN EMIGRANTS. COINCIDENTALLY, MINISTER OF FOREIGN TRADE DE MITA SIGNED DECREE EFFECTIVE FEBRUARY 25 AUTHORIZING ESTABLISHMENT OF FOREIGN EXCHANGE ACCOUNTS FOR ITALIAN EMIGRANTS. THESE ACCOUNTS ARE DESIGNED TO ENCOURAGE FOREIGN CURRENCY INFLOWS INTO THE ITALIAN BANKING SYSTEM FROM ITALIAN EMIGRANT EARNINGS. THESE ACCOUNTS WILL CARRY INTEREST RATES HIGHER (USUALLY BY 1 PERCENT) THAN THE PREVAILING EURODOLLAR INTEREST RATES. DR. MAZZA, VICE DIRECTOR GENERAL OF THE MINISTRY OF FOREIGN TRADE, TOLD EMBOFF THAT IT WAS EXPECTED THAT THESE NEW ACCOUNTS WOULD INCREASE THE NET FLOW OF EMIGRANT REMITTANCES BY AT LEAST 10 TO 15 PERCENT DURING REMAINDER OF 1976.

4. EXCHANGE CONTROLS FOR ITALIAN TOURISTS. ITALIAN EXCHANGE OFFICE (UIC) CONCURRENTLY ANNOUNCED SOME MODIFICATIONS EFFECTIVE IMMEDIATELY IN FOREIGN EXCHANGE REGULATIONS APPLICABLE TO ITALIAN RESIDENTS TRAVELING ABROAD. ANNUAL MAXIMUM TOURIST ALLOWANCE REMAINS SAME AT 5000,000 LIRE. HOWEVER, NEW RULES SPECIFY THAT ONLY FIRST 65,000 LIRE CAN BE IN THE FORM OF FOREIGN CURRENCY OR TRAVELERS CHECKS (ALL COULD BE IN THIS FORM UNDER PRIOR REGULATIONS) WHILE THE REMAINDER, UP TO 435,000 LIRE, MUST BE IN THE FORM OF NON-TRANSFERRABLE CHECKS OR OTHER NON-TRANSFERRABLE CREDIT INSTRUMENTS. (RESIDENTS MAY STILL TAKE UP TO 35,000 LIRE CURRENCY OUT OF ITALY AS PART OF 500,000 LIRE LIMIT.) PURPOSE OF REQUIRING USE OF NON-TRANSFERRABLE INSTRUMENTS IS TO IMPEDE TRAFFIC IN CURRENCY BY FORCING INDIVIDUAL TOURISTS TO PHYSICALLY CROSS BORDERS TO CONVERT LIRE.

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5. SHORT-TERM EXPORT CREDIT PROGRAM. ANOTHER MEASURE ANNOUNCED BY COLOMBO WAS IMMEDIATE TERMINATION (EFFECTIVE FEBRUARY 25) OF TEMPORARY SHORT-TERM EXPORT CREDIT PROGRAM ADMINISTERED BY BANK OF ITALY'S EXCHANGE OFFICE (UIC). SOME FINANCIAL DAILIES COMMENTED FAVORABLY ON MEASURE AS LOGICAL IN VIEW OF RECENT SUBSTANTIAL DEVALUATION BENEFITTING EXPORTERS. (FOR DETAILS OF PROGRAM, SEE REFTEL B.)

6. COMMENT. ON FOREIGN MEASURES PRESS, AFTER INITIAL ENTHUSIASM, HAS TENDED TO DWELL SOMEWHAT PESSIMISTICALLY ON

LIMITED RESOURCES BOI WILL HAVE TO SUPPORT LIRE, ESPECICALLY
IF HEAVY SPECULATION SHOULD RE-OCCUR. PRESS CONCERNS WERE
FED BY STATEMENTS OF MINISTER COLOMBO AND OTHER GOI OFFICIALS
ENUMERATING POSSIBLE NEW FINANCIAL RESOURCES WHICH MAY BECOME
AVAILABLE TO GOI TO BOLSTER RESERVES IN IMMEDIATE SHORT-TERM.
ON FEBRUARY 26, COLOMBO LISTED SPECIFICALLY THE FOLLOWING:
BOI CURRENCY RESERVES \$594 MILLION

BOI HOLDINGS OF SDR'S 97 MILLION

BUNDESBANK GOLD LOAN
DRAWING 500 MILLION

FEDERAL RESERVE SWAPS 750 MILLION

TOTAL \$1941 MILLION

THE LACK OF PRESS CRITICISM OF THESE FOREIGN EXCHANGE
MEASURES IS HOPEFUL SIGN, PARTICULARLY WITH REGARD TO TERMINA-
TION OF SHORT-TERM EXPORT CREDIT PROGRAM. ABOLISHMENT OF THIS
PROGRAM, WHICH WAS CRITICIZED AS MAJOR SOURCE OF CREATION OF
EXCESS LIQUIDITY LATE IN 1975, REMOVES BANK OF ITALY,
THROUGH FOREIGN EXCHANGE OFFICE (UIC), FORM THIS CON-
TROVERSIAL AREA OF OPEN-ENDED DISCOUNTING. BEAUDRY

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